

# The year for the 'big boys'

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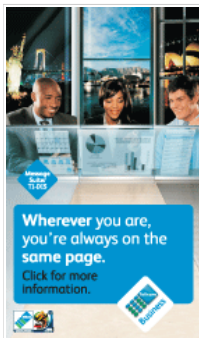
By [Paul Booth](#)  
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The ICT industry worldwide continued to grow at between 6% and 7% in 2007, with the local industry achieving a slightly higher figure. Growth rates similar to those of 2007 are expected for the next three to four years.

From an executive viewpoint, the top user ICT concerns are governance and compliance, areas that seem to have taken on even more significance over previous years. Along with these are concerns about business intelligence, the mobilisation of applications, green issues, and the role open source plays within their organisations.



From a research perspective, one of the most interesting trends is the significant growth in the software as a services (SaaS) market, which continues to outperform any other, and is expected to have a dominant role within a few years.

In addition to the above, two other characteristics continue to manifest themselves in the worldwide and local ICT markets. These are a return to a sensible level of new listings, which have been somewhat of a rarity over the past few years, following the ridiculous situation in the late 1990s, and the increasing role of private equity companies within the sector.

On the international front, the year has again been dominated by sector consolidations, specifically in the areas of business intelligence and IT services. Locally, the ongoing telecommunications consolidation and liberalisation, coupled with continuing BEE activity, have also contributed to the many changes that have occurred within the South African and African ICT industries.

In the US, the technology-heavy Nasdaq seems to be ending this year around the 2 700 level, after hitting several six-year highs during the year, and at 12% above the levels ruling at the start of the year. Similarly, the JSE is running again at very high levels, with an all-time high of over 31 000 being reached during the year, with current numbers still 20%+ up on the levels that were seen at the beginning of January.

## Local scene

As was the case in 2006, this year has seen a mini glut of new listings on the JSE and AltX; and, at long last, a clean-out of those shares that had been suspended for several years.

Fortunately, there have been few casualties as a result of the combination of liquidations, consolidations, acquisitions and conventional de-listings. However, the key characteristics of 2007 have been concerned with the continued move by listed and non-listed organisations alike to embrace the principles of BEE, a situation fuelled by the spectre of the imminent publication of the ICT BEE charter; the acquisition spree by some of the South Africa-listed companies that have most of their revenue coming from outside of the continent, such as Datatec and Dimension Data; and the consolidations within the telecommunications sector outside of the major players such as MTN, Neotel, Telkom SA and Vodacom.

As has been the case for the past few years, share prices of many local technology stocks have grown with the favourable business climate. An analysis suggested at the end of November that of the approximately 52 technology shares still listed on the JSE and AltX, only two shares were trading below 10c (Beget Holdings and Zaptronix). Nearly 60% are now trading above R2, up from last year's 50%.

On the empowerment front, the ICT BEE charter has still not been issued, despite the DTI's Code of Good Practice having been finalised many months ago. However, this has not slowed BEE activity and we have seen investments, for example, in Altech, Britehouse Group, Cisco, CSC SA, Dialogue Group, DVT, MB Technologies, Nokia Siemens Networks, Siemens SA, T-Systems, Unisys SA, Vox Telecom and Zaptronix, to name a few. HP has taken a different road and has invested in a business institute instead, which will focus on the creation of ICT skills.

The new listings this year include Ansys, Blue Label Telecoms, DVT, Huge Group, Ideco, TeleMasters and TeliMatrix, while FoneWorx, ex-Interconnective Solutions, moved to AltX from the venture capital sector of the JSE.

Fortunately, this year's technology attrition list was comparatively short and included Control, which sold off its IT components to TeliMatrix; Integrear, which exited the ICT business; and Trematon, which sold-off its UK-based IT investment; although Control and Trematon continue to be listed. In addition, the listings of Bryant Technology, CCG, Cyberhost, ShawCell and Top-Tech have been terminated as all had been in suspension mode for some time.

Excluding the multiple acquisitions and investments made by Datatec and Dimension Data, other major local mergers, acquisitions or investment activities included several purchases by ConvergeNet SA (ex-Vesta Technologies); Dialogue Group; Naspers; SecureData (ex-ERP.com); and Vox Telecom - its list included Storm Telecom.

Key appointments during the year included new country managers/GMs/CEOs/MDs at Business Connexion, Fujitsu Siemens, GijimaAst, ICASA, Google SA, Lexmark, MB Technologies, MTN SA, Novell, SAPO, SITA, Spescom, T-Systems, Telkom SA and Unisys.

New South African offices were opened by Forrester Research, Frost & Sullivan, Google, IDC (the US research company), Ingram Micro, Numara Software, QPR Software, TallyGenicom and Tata Consultancy Services.

On the ICT media front, we saw the introduction of the local version of Stuff by the Johnnic Group; the purchase of Exhibitions for Africa by Specialised Exhibitions, a subsidiary of Andry Montgomery; and of course, there was the usual flood of journalists job-swapping.

Other major events included the issuing of several new pay-TV licences, the calling-off of the discussions between Telkom SA and MTN/Vodafone, and the formal adoption by government of open source. Also in the spotlight were the name changes of Alliance Data to Alliance Mining, DataPro to Vox Telecom, ERP.com to SecureData Holdings, Infowave to AdaptIT Holdings, Simeka BSG to Simeka Business Systems Group, and Vesta Technologies to ConvergeNet SA.

From an awards viewpoint, the key winner was Hamilton Ratshefola, CEO of DVT, as IT Personality of the Year 2007.

## The African scene

As was the situation last year, there are still no IT companies listed in the current 'Top 500 Companies in Africa' from outside SA, and only a handful of telecommunications companies included. However, ICT activity on the continent continues to grow, with significant involvement coming from the Middle East. Specifically, Celtel moved its headquarters to Nairobi, from the Netherlands; and France Telecom won the bid for both Ghana Telecom and Telekom Kenya, following the privatisation of those companies.

Other major activities included Access Kenya buying Openview Business Systems and Todays Online; Lap Green Networks (Libya) acquiring/investing in Rwandatel, Sahelcom (Mali) and Uganda's UTL; MTN buying VGC Communications (Nigeria) and XS Broadband (Nigeria); MWeb Africa buying Afsat Communications; Telkom SA purchasing Multi-Links Telecommunications (Nigeria); and Zain (ex Kuwait's MTC) buying Westel (Ghana).

Key CEO/MD appointments included those at Celtel, Celtel Kenya, MTC Namibia, MTN Congo, MTN Rwanda, MTN Swaziland, Orange Botswana, Rwandatel, Vodacom Congo, Vodacom Lesotho and Vodacom Tanzania. Several regional positions for many of the multinationals were filled by the promotion of the relevant SA incumbent such as those from APC, Fujitsu Siemens and SAS.

## The international scene

Internationally, this year has been characterised by a number of key acquisitions from private equity groups, for example, 3Com, Alltel, Avaya, Bell Canada, CDW, First Data and Intelsat; multiple take-overs by 12 of the larger ICT companies, including Cisco, Dell, Google, Microsoft, Motorola and Yahoo; a handful of significant IPOs, such as those of Alibaba, Virgin Mobile USA and VMware; consolidations in the business intelligence (BI), IT services and telecommunications spaces; and a continuing battle between Google and Microsoft that is unlikely to be abated in the near future.

In the enterprise software space, the year was again dominated by Oracle, which made several acquisitions, including Agile Software and Hyperion. HP, IBM and SAP also continued to consolidate their software portfolios.

From a BI perspective, 2007 was a watershed year. Applix was swallowed up by Cognos, which in turn, was acquired by IBM. Hyperion went to Oracle. Business Objects went to SAP, leaving CA and HP as the two major players without a key BI capability. This left SAS, which was always the largest player in this space, as the only significant independent player left in the market, with revenue at least five times the size of the next contender.

The consolidation within the IT services market continued apace with Accenture, Capgemini, CSC, EDS, Fujitsu Services, Logica CMG and many of the smaller players all making smallish acquisitions and thus consolidating their portfolios. In a similar way, the telecommunications companies also enhanced their IT services offerings, with BT Group being prominent with at least five take-overs, and KPN NV swallowing Getronics.

Apart from the above, other major acquisitions/mergers included that of Dobson Communications by AT&T; Gateway and Packard Bell by Acer; Hutchison Essar (India) by Vodafone; Indigo Stone by EMC; Navteq by Nokia; and Redback Networks by Ericsson.

Major international appointments included those of Greg Brown as CEO of Motorola, Michael Capellas as CEO of First Data, Philippe Germond as CEO of Atos Origin, Andy Green as CEO of LogicaCMG, Michael Laphen as CEO of CSC, and Peter Löscher as CEO of Siemens AG. Key resignations included those of Garry Forsee, CEO of Sprint Nextel, Kevin Rollins, CEO of Dell, and Edward Zander, CEO of Motorola.

Other major international activities included Microsoft's settlement with the European Commission over anti-trust issues; the rejection of Microsoft's Open XML standard; the split-off of Teradata by NCR; the ruling against SCO regarding Unix operating systems copyright; and HP becoming the first IT company to break the \$100 billion annual revenue barrier.

## 2008 and beyond

Internationally, next year will see a continuation of the segment consolidations that have been particularly prevalent over the past two or three years. I expect that Open Text will be taken over by one of the larger software companies, maybe SAP, and BEA Systems will also suffer a similar same fate. In the IT services space, EDS could well succumb to the overtures of Deutsche Telekom.

In Africa, France Telecom will continue its penetration into the continent and I would not be surprised by similar moves from the BT Group.

Locally, next year should see the consolidation of the Altron Group, including the de-listing of Altech and BTG, although the Altech offer needs to be re-visited; the resolution of the arivia.com affair; the formal announcement of the result of the outsourcing tender for Old Mutual, which is expected to go to T-Systems; the transfer by Stella Vista to AltX, from the development capital sector of the JSE; and the listings of Labat Traffic Solutions, the IT interests of Sekunjalo and Vodacom, following Vodafone's purchase of an additional shareholding in Vodacom.

I would also not be surprised to see a resurrection of the Telkom SA/MTN discussions; and the purchase of one or more of our IT services companies by a major international telecommunications player.

## Conclusion

2007 experienced a plethora of consolidation activities and 2008 is unlikely to be any different. Change is nothing new for our industry and my message for 2008 is: stick to your knitting and don't become too greedy.

### On the up

One of the most interesting trends is the significant growth in the SaaS market. Paul Booth, MD, Global Research Partners